

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 RANGOON 000605

SIPDIS

SENSITIVE

STATE FOR EAP AND INL; DEA FOR OF, OFF;
USPACOM FOR FPA

E.O. 12958: N/A

TAGS: [SNAR](#) [KCRM](#) [PREL](#) [EAGR](#) [BM](#)

SUBJECT: BURMA: UNODC CASH FLOW WOES

REF: A. RANGOON 148

[1](#)B. RANGOON 138 AND PREVIOUS

[1](#)1. (SBU) Summary: UNODC-Burma says it is strapped for funding and may need to reduce counterdrug activities as of August. Prospects for 2006 funding are solid, but UNODC is seeking an additional \$400,000 for its next illicit crop survey. We recommend support for several UNODC projects in FY2006 to address our counternarcotics objectives in Burma and to ensure continued U.S. influence in UNODC programming. The UNODC's crop survey, in particular, has taken on added importance following the cancellation this year, and uncertainty for next year, of the annual joint U.S.-Burma opium yield survey. End Summary.

[1](#)2. (U) Rangoon's mini-Dublin Group convened on May 12 to discuss the group's annual report as well as related counternarcotics activities. Representatives from UNODC and from the embassies of Australia (current chair), France, Germany, Italy, Japan, the U.K., and the United States participated and several IO/NGO representatives made special presentations.

BACK TO FULL STRENGTH IN WA TERRITORY....

[1](#)3. (U) UNODC representative Jean-Luc Lemahieu gave an update on the nascent Kokang and Wa Initiative (KOWI) and observed that donor funding was "solid" for Phase I, primarily a food and humanitarian response for former poppy farmers. He noted concerns that farmers could evolve from "poppy dependency to aid dependency" and UNODC therefore was focusing on developing Phases II and III which will place greater emphasis on sustainable alternative development.

[1](#)4. (U) Lemahieu recapped that, following the unsealing of U.S. federal court indictments against UWSA leadership, GOB officials had required that UNODC temporarily withdraw staff from Wa territory (ref B). This resulted, he said, in a ten-day suspension in February of UNODC programs. However, local-hire staff quickly returned and resumed programs. The GOB permitted expatriate staff to return to Wa territory in early April and, he said, UNODC and its NGO partners are now "back to full strength" in the field.

....BUT PERHAPS NOT FOR LONG

[1](#)5. (U) According to Lemahieu, UNODC is severely strapped for funding. The Burma program, he said, will run out of "cash flow" in August and, in the absence of new funds to cover a \$400,000 shortfall, UNODC will not be able to facilitate all of its field programs. For the period August-December, Lemahieu said he would only be able to operate with a limited staff and greatly reduced activities.

[1](#)6. (U) Lemahieu added that the current UNODC poppy survey is not in jeopardy (although he needs \$400,000 for next year) and that the overall funding prospects for 2006 "look much better," including potential Swedish support (\$4.5 million) for a joint poverty reduction program with UNDP as well as UN security funds from Japan that would allow a continued UNODC presence in Wa territory beyond the UWSA's 2005 ban on poppy cultivation. Lemahieu concluded that UNODC plans to transition out of its Wa programs in January 2008, handing over the leading UN role in the region to UNDP.

[1](#)7. (U) A WFP representative reviewed his organization's one-year emergency food program for former poppy farmers in northern Shan State. He said that if the UNODC-led KOWI program succeeds, the food emergency should be less severe in coming years, but that food insecurity would continue. In the face of GOB restrictions on the transport of rice into the region, and in the absence of serious economic reform, the market response to food needs remains highly inadequate.

USG ADJUSTMENTS

[1](#)8. (U) Emboff described ongoing USG support for counter-drug programs and general U.S. recognition of the success of alternative developments projects. He informed group members that, following the indictments of UWSA leaders, the U.S. had reprogrammed \$432,685 from UNODC's Wa project to UNODC

general purpose funds (ref A). This action, he noted, was a conclusion that the indictments rendered financial support in the region untenable and was not a negative comment on UNODC programs. In fact, the reprogrammed funds remained available for other UNODC programs in Burma and \$133,700 had already been obligated to cover a shortfall in UNODC's illicit crop monitoring project.
COMMENT: VALUE ADDED

19. (SBU) The withdrawal of U.S. support for the UNODC's Wa Project was appropriate; however, we believe there is high value in several of UNODC's other Burma programs. U.S. support in FY2006 for UNODC's demand reduction project (MYA/E76) and illicit crop monitoring (MYA/G43) would in particular address our overall counternarcotics objectives in Burma and ensure that we continue to be a donor with substantial influence in UNODC programming. The UNODC's crop monitoring project has taken on added importance following the cancellation this year of the joint U.S.-Burma opium yield survey (due to a lack of GOB cooperation). The results of the 2006 UN poppy survey will be essential in evaluating the effectiveness of the Wa poppy ban, scheduled to go into effect next month. End Comment.

Martinez